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AUTHOR Weis, Suzanne; Wynn, Patricia
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ABSTRACT

A review of the literature on the functions and responsibilities of the board of trustees in nonprofit organizations shows the following as major areas of responsibility: (1) determination of agency policy and assumption of the ongoing role of monitoring performance against established policies; (2) allocation of the organization's resources, including budget review and audit functions; (3) appointment and evaluation of an executive director; (4) public relations (broadly defined as fostering the wider public's acceptance of the organization's established policies and includes the issue of maintenance of public confidence). Functions cited less frequently include the establishment and review of personnel policies, fund raising, recruitment of new board members, and consumer consultant participation. (An annotaded bibliography on the role and functions of the board of trustees constitutes the major portion of the document.) (KC)

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An Examination of the Literature on the Functions and Responsibilities of Board of Directors in Not for Profit Organizations

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Jointly Prepared by
Suzanne Weis
Patricia Wynn

November 5, 1980

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HERBERT P. PATTERSON, *Chairman of the Board* JACK JOHN OLIVERO, *President* DOUGLAS WILLIAMS, *Vice Chairman of the Board*
GRETCHEN L. GLICKMAN, *Treasurer* ELINOR C. GUGGENHEIMER, *Secretary* BERTRAM M. BECK, *General Director*

A review of the literature on the functions and responsibilities of the Board of Trustees in nonprofit organizations list the following as major areas of responsibility.

.Determination of agency policy and assumption of the ongoing role of monitoring performance against established policies.

.Allocation of the organizations' resources including budget review and audit functions.

.Appointment and evaluation of an executive director.

.Public relations which is broadly defined as fostering the wider public's acceptance of the organizations established policies and includes the issue of maintenance of public confidence.

Functions cited less frequently include the establishment and review of personnel policies, fund raising, recruitment of new board members and consumer consultant participation.

Major Functions

Slavin, the editor of "Social Administration: the Management of the Social Services," a collection of articles considered an authoritative resource, indicates board functions are legally defined by their by-laws and traditionally defined by the history of the agency. Zald writes, Boards were created to insure continuity in the management of organizations and to fix a locus of responsibility for the control of "independent" organizations. In essence, as Rosenthal and Young state, the Board is the mechanism through which agency policy is formulated and the external environment managed. Most authors agree that the primary responsibility of Boards is to set policy which in effect establishes the direction of the agency. This is done in accord with the needs of the community and expectations of the group served. An extension of the policy formulation function is the Board's involvement in planning objectives and the periodic examination of provided services to ensure they are in agreement with the mission of the organization.

The major resource used by the Board to implement the policy/program activities is through its control of the fiscal management of the agency. Rosenthal and Young, along with Zald and Slavin agree on a Board's responsibility for determining how funds are to be expended. Included in the broader definition of fiscal management are provisions for sound bookkeeping practices, periodic audit reviews, setting of budgets and the formulation of financial policies governing applications for grants and contracts from public and private entities. An allied fiscal management function for the Board is fund raising. Although Zald points to the diminishing importance of this activity as increasingly organizations fund programs through mass campaigns, community funds, government and foundation grants.

As noted by Slavin, Zald, Rosenthal and Young, the Board's function in the appointment of an Executive Director is key. It must select a Director, fix his/her compensation, establish duties, delegate the necessary authority

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to administer the work of the agency, and, if necessary, terminate his or her employment.

The Board's responsibility to periodically evaluate the director is discussed at length in the Kahle article. Boards are frequently lax in assuming this function because many feel uncomfortable in performing the task. But such assessment is necessary since the Board of an agency is accountable to the community to assure that the executive is as effective as possible.

Zald states the Board's power to hire and fire executives in effect heavily influences the executive's decisions. On the other hand, since the Board must rely on the executive and staff for information on which to base its decisions, the executive's influence can be considerable.

The broadly defined public relations aspect of a Board's responsibility includes, as Rosenthal and Young indicate, the necessity to manage the external environment of the agency. They feel Boards represent a major force in dealing with any constraints the agency encounters in its efforts to fulfill the stated mission, goals and program. The growing complexity of the external environment requires Boards to develop increasingly sophisticated strategies to further the ends of the agency in its interaction and dependence upon government and foundation resources. The Board's actions in this area include not only the development of additional resource contacts but also must extend to promote the continuous identification and building of constituencies. Zald touches upon this point by developing the idea that Boards "represent" diverse groups and interests. These should be mobilized to affect and aid the organization.

Additional public relations functions include the traditional one involving the dissemination of information to the agency's different publics to insure their understanding of the program and services.

Minor Functions

Rosenthal and Young interpret the Board's responsibility in the area of personnel management to include the development of personnel policies, procedures for the hiring of all agency staff and ones to ensure that performance evaluations are completed. Zald interestingly limits the Board's personnel function to the hiring of the Chief operating officer.

Hartogs and Weber expand the Board's traditional role in fund raising to include individual contributions. Their questionnaire survey findings indicate that 77% of responding Board Members felt membership entailed an obligation to contribute to the organization budget. Some organizations even admit to a policy which makes a financial contribution a condition for membership.

A Board's responsibility for the recruitment of new members is cited less frequently in the literature probably because the need for Board expansion is limited. But the development of the criteria for selecting new members is according to Hartogs and Weber a legitimate function.

O'Donnel and Reid in their study of consumer participation on Boards indicate consumer members frequently play an unique consultant role in program development since they may have been at some point in time users of the service. For some boards this function is new and can be seen as an outgrowth of the move in the last decade to consciously expand consumer participation.

In summary a review of the literature indicates an agreement by most authors on the major functions of a Board. The importance of setting policy, periodically reviewing programs, the responsibility for sound fiscal management, selection of an executive and participation in public relations functions represent the major focus of Boards. In addition, throughout the literature runs the theme of a Board's need to remain dynamic and regardless of the functions they assume each Board must be prepared to meet the everchanging needs of an organization and the people it serves.

Selected Bibliography on Role and Functions of Board of Trustees

Chapin, F. Stuart and Tsonderos, John. "Formalization Observed in 10 Voluntary Associations: Concepts, Morphology, Process." Social Forces, 33, 1955, 306-309.

Once the organization has been formalized the authors view the role of the Board as limited. Rights of board members become restricted to attendance at annual meetings and regularly scheduled board meetings. Between sessions board members are expected to accept executive policies and have slight power to change them. The study was based upon ten Minneapolis associations.

Child Welfare League of America, Inc.: "Guide for board organization in social agencies." Rev. ed. 1975.

This small pamphlet covers all aspects of board organization, and operation, including the characteristics of effective boards.

Conrad, William R. & Glenn, William E. Effective Voluntary Board Board of Trustees: What It Is And How It Works. Chicago: Swallow Press, 1976.

Conflict is regarded as inherent in the relationship between the board and chief executive. This conflict and tension cannot be avoided and must be managed. The authors argue that the vitality and effectiveness of the organization is in direct proportion to the strength of the board. Thirteen reasons are cited to explain a perceived decline in professionalization of voluntary organizations. A chapter discusses how board meetings are to be handled. A generous amount of charts support the text.

Goldberg, Gertrude S. "New Directions for the Community Service Society of New York: A Study of Organizational Change." Social Service Review, June 1980, 184 - 219.

Circumstances surrounding C.S.S.'s decision to phase out ongoing casework services in favor of a demonstration model strategy are reviewed. The author asserts several CSS trustees desired increased power for themselves and an enhanced role for the board. As a method of achieving both they appointed a chief executive lacking experience in both social work and administration. Considerable attention is paid to the 1970 self study and staff and trustee roles at that time. The article implies that CSS failed to achieve change objectives primarily because it lacked appropriate staff. Requirements for successful implementation of change are reviewed.

Hartogs, Nelly and Weber, Joseph. Board of Directors: A Study of Current Practices in Board Management and Board Operations. Dobbs Ferry, N.Y.: Oceana Publications, 1974.

This study is based upon information supplied by participant members of the Greater New York Fund. Questionnaires were sent to board members, presidents and executive directors. Functions of board presidents, members, and chief executives were rated in importance, by themselves. The results are presented in numerous tables and charts accompanied by explanatory text clearly indicating areas of agreement and disagreement. When ranking the major responsibilities of the executive director, for example, executives rated attendance at board meetings first; presidents ranked it fourth; and board members rated this function as fifth out of twenty-four possibilities. The most important function of the executive was judged by presidents to be the hiring and supervision of staff. Board members considered the executive's chief duty to be keeping them informed of agency activities. Hartogs and Weber, as most other authors, cite the roles of boards to be policy making, fund raising, committee work, financial contributions, recruitment of new board members and budget review. They note that the chief executive recommends policy to the board for their action.

Johns, Ray. Executive Responsibility: An Analysis of Executive Responsibilities in the Work of Voluntary Community Social Welfare Organizations. New York, N.Y.: Association Press, 1966

The title of this book is deceiving; board, chief executive and staff roles and how they can most usefully be intermeshed are discussed. Boards of directors of voluntary agencies have three primary purposes: 1) to seek public acceptance for important changes in agency mission; 2) to promote effective administration; and 3) to assure continuity of the work of the agency. The fundamental methods employed are: appointment of the executive director and major committees; review of policies, plans, and progress reports; negotiation of financial allocations; and adoption, approval and authorization of reports, recommendations, budgets, and other plans.

Kahle, Joseph H. "Assessing Executive Performance." Chapter 14 in Simon Slavin (Ed.) Social Administration: The Management of the Social Services. New York: Haworth Press & Council on Social Work Education, 1978. 177-184.

Kahle stresses the importance of boards regularly scheduled evaluation of the chief executive. Intervals of from two to five years are suggested. An explicit and detailed outline for the evaluation is provided.

Kramer, Ralph M. "Ideology, Status, and Power in Board-Executive Relationships." Social Work, 10, 4, October 1965, 107-114.

Board members and chief executives of voluntary agencies tend to have diverse political ideology, social status, and areas of responsibilities. Yet, as argued by Kramer, the formulating process is not inherently unstable. Factors are cited that act to reduce conflict and tension and lead to a balance of power.

Mathiasen, Karl. The Board of Directors of Nonprofit Organizations. Washington, D.C.: Center for Community Change, 1977.

This small pamphlet stresses that the role of a board alters over time as needs change. Even within the span of a few years changes occur. He believes that board's freedom from program tasks allows for a broader, long-range viewpoint and lends objectivity.

Mitton, Daryl G. "Utilizing the Board of Trustees: A Unique Structural Design." Chapter 9 in Simon Slavin (Ed.) Social Administration: The Management of the Social Services. New York: Haworth Press & Council on Social Work Education, 1978, 117-121.

This case study briefly describes how a board developed a matrix organization with each member serving on at least two committees, one service or delivery oriented and the other a functional requirement of the agency.

Morris, Robert and Binstock, Robert H. and with the collaboration of Martin Rein. Feasible Planning for Social Change. New York: Columbia University Press, 1966.

The official function of the board in the authors' viewpoint is to dominate policy in order to insure the interests of the agency's constituency. Vague differences exist between areas of board or executive decision making. He argues the more frequently a board meets, the more powerful it is.

O'Donnell, Edward J. & Reid, Otto M. "Citizen Participation on Public Welfare Boards and Committees." Chapter 11 in Simon Slavin (Ed.) Social Administration: The Management of the Social Services. New York: Haworth Press & Council on Social Work Education, 1978 134-148.

A survey of public welfare boards and committee members found these results. Hiring and supervision of staff were performed by 39% public welfare boards while 36% decided changes and policies concerning agency operation. Approval of all funds spent by the agency was reported by 30%. General consultation was provided by 26%. The authors state that the primary role of the board is to make policy and the chief responsibility of the committee is to give advice.

Robins, Arthur J. & Blackburn, Cheryl. "Governing Boards in Mental Health: Roles and Training Needs." Chapter 10 in Simon Slavin (Ed.) Social Administration: The Management of the Social Services. New York: Haworth Press & Council on Social Work Education, 1978, 123-133.

This study based upon interviews with board presidents and some members found that centers bylaws expressed global statements calling for roles in planning, implementation and evaluation. Slightly less than half of those interviewed believed their authority to be limited to an advisory capacity. More than half stated they lacked power for program development.

Rosenthal, Seymour J. and Young, James E. The Governance of the Social Services. Leadership in Social Administration: Perspectives for the 1980's. Edited by Felice D. Perlmutter and Simon Slavin. Philadelphia, Pa.: Temple University Press, 1980 66-105.

Historical perspective concerning boards is included. The distinctive difference between governing and advisory boards is explained. Governing boards serve three major functions: first, determination of both long-term and short-term policy concerning programming; second, financial control of the agency, including budget and fund raising; and thirdly, the formulation of personnel policy.

Rumford, Mrs. Lewis II. "The Board Member and the Executive: How They Serve Agency and Community." Child Welfare, XLVII, 3, March 1968, 171-174.

This informal article stresses the fact that board and executive director are partners, in an active sense. She emphasizes the board members role in the interpretation of the agency to the community at large and notes that it begins at an individual person-to-person level.

Slavin, Simon (Ed.) Social Administration: The Management of the Social Services. New York: Haworth Press & Council on Social Work Education, 1978.

This is considered the authoritative piece of literature on social administration. An overview indicates that board functions are both legally defined, by-laws, and traditionally defined by the history of the agency. The board provides a legal entity and indicates legitimate authority. It assures financial integrity, as well as solvency and accountability. Boards employ and evaluate the chief executive officer, manage financial investments, establish and review personnel policies, monitor the agency on an ongoing basis and establish broad policies and goals. A board's advocacy role in the community provides community links. Notation is made of the inherent conflict in the roles of the board and chief executive and the lack of clear-cut differentiation of responsibility. Since executives and staff provide material to the board, their selection of information gives the power to skew policy in the direction they seek. Implementation of policy may enhance, diminish, or even distort the intentions of the board. A number of chapters by other authors in this book are cited.

Stein, Herman D. "Board, Executive, and Staff." In Simon Slavin (Ed.) Social Administration: The Management of the Social Services. New York: Haworth Press & Council on Social Work Education, 1978, 204-223.

Policy is determined by the board, and executed by executive and staff. The chief executive takes responsibility for resulting agency programs. Stein notes that boards and executives have been in conflict over turf as long as they have existed. As others have commented good will on the part of board and executive will not prevent problems. At the core is what is policy and what is execution. These borderline issues are the concern of every type of agency. Stein suggests that if a board is unable to make a decision, the executive should lead the board to his concept of the best action in the interests of the agency.

Thompson, James D. "Common Elements in Administration." In Ella W. Reed (Ed.) Social Welfare Administration. New York: Columbia University Press, 1961, 18-29.

Thompson emphatically argues that for effective administration, the executive director must have a significant role in the organization-direction function. This provides the necessary link between direction and management required for effective administration.

Weber, Joseph. Managing the Board of Directors. New York: Greater New York Fund, Inc., 1975.

The New York State Not for Profit Act is discussed. Weber cites six areas of board decision-making: administration, finance, personnel, program, public relations and community relations. Further personal liability of members is discussed. Weber believes the board is responsible for developing and establishing policies, and that its perception of the agency is general, not specific. Emphatically he states that members are not expected to have knowledge of the daily operations of the agency.

Zald, Mayer N. "The Power and Functions of Boards of Directors: A Theoretical Synthesis." American Journal of Sociology, 75, 1, 1969, 97-111.

Zald points to the dichotomy in the literature concerning the ultimate control of power. Executive directors provide information, alternatives, and even agendas. Nevertheless, the board has the function of hiring and firing executive directors, which the literature suggests shapes executive directors' decisions. It is not possible to generalize because each board differs in what it is able to contribute to its agency. The strength of external power bases of individual board members affects the ability of boards to provide community legitimation.

Zelman, William N. "Liability For Social Agency Boards." Social Work, 22, 4, 1977, 270-274.

This article does not concern itself with the role of boards but addresses the problemof personal financial liability for legal damages on the part of board members.

MANUALS FOR BOARD MEMBERS

Child Welfare League of America, Inc. Guide for Board Organization in Social Agencies. Revised ed., 1978.

This manual is frequently updated. It points out that boards now contain employees, consumers, minority group members, and women. These participants have provided and broadened perspectives allowing new directions. It is noted that this newer board finds it much more difficult to achieve consensus and a greater amount of conflict and confrontation occurs. CWLA boards are empowered to set broad policy. Objectives are to be formulated in collaboration with the executive director and staff and are to be approved by the board. The board responsibility for bookkeeping and auditing is stressed.

Edgewood Children's Center. Manual. Webster Groves, Missouri, n.d., n.p.

In addition to the usual functions of the board, this manual addresses boards' concerns with physical plant maintenance.

A Guide for Board Members of Voluntary Agencies. Family Service Association of America. 1975.

Board policy formation is spelled out to include management, fiscal control and nature of service programs. Stress is given to the responsibility for fund raising. Roles of board officers are clearly defined as are those of each of the committees. The board-executive-staff work is described as a partnership. Policy decisions, program planning and decision-making are joint responsibilities of all three.

Parry Center for Children. Board Manual. n.d., n.p.

This manual goes into greater detail in the area of personnel policies.

So ... You Serve on a Board. 6th ed. Volunteer Bureau of Pasadena. Pasadena, Cal.: February 1972.

Personnel practice responsibility of board members is explained in exact terms.